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Town of Gibsland
Gibsland, Louisiana

Agreed Upon Procedures
For the Period July 1, 2006
to December 31, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3-28-07

EDWARDS, WADE & PERRY

Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA / Society of LCPA's

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED UPON PROCEDURES

Board of Aldermen
Town of Gibsland
Gibsland, Louisiana

We have performed the procedures enumerated below, which were agreed upon by the Board of Aldermen of the Town of Gibsland and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the district's compliance with the assertions. This agreed upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. *Determine bank account balances at December 31, 2006.*

We determined the bank account balances at December 31, 2006 and have furnished the town council with the list of account balances. During our test work, it was noted that the outside accountant did not adjust the town's general ledger to his reconciliations.

2. *Determine payroll liability balances.*

According to correspondence with Internal Revenue Service, all payroll liabilities have been paid with exception to the fourth quarter form 941 in the amount of \$2,694.38.

3. *Test receipts in water and sewer funds.*

We selected 10 customers to trace payments to deposit slips then to general ledger. Six (6) customers' payments could be traced to deposit slips and then to the general ledger. Three (3) customers' payments could not be traced to a deposit slip within three days of when the utility software showed a payment was received. The last customer paid in January, 2007.

Cutoff procedures are not being followed. Six customers' water lines should have been shut off due to their account being past due.

4. *Test disbursements in general fund, water fund, and sewer fund for inconsistencies such as original support, correct signatures, questionable costs, reimbursed expenses, etc.*

Inconsistencies were found during our test work such as:

- a) support was lacking for contract labor paid, numerous monthly bills, mileage reimbursements, and supplies reimbursements
- b) monthly bills were not paid timely; several disconnect notices
- c) water meter bank account not being posted or reconciled since June, 2006
- d) individuals paid as contract labor and employees
- e) Christmas decorations and flowers purchased with town's monies
- f) all employees were paid twice for the checks dated November 17, 2006 and all checks cleared the bank
- g) hours paid to employees did not agree to hours per timesheet

5. *Determine accounting of \$50,000 railroad payment.*

It was determined that these funds were deposited into the general fund operating account. The account balance is in excess of \$50,000 so the town has not used these funds yet, as instructed by the council. The council wanted these funds deposited into a separate account so as not to get commingled with the operating funds until the council decided on what action to take regarding repairing the railroad crossing.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Board of Aldermen of the Town of Gibsland and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Edwards, Wade & Perry

Edwards, Wade & Perry, CPAs
Ruston, Louisiana
February 5, 2007

Town of Gibsland
Comments on Agreed Upon Procedures

1. *Determine bank account balances at December 31, 2006.*

Corrective Action Procedure

We will obtain supporting documentation and proposed adjusting journal entries for all reconciling items on the outside accountant's bank reconciliations. We will review this documentation to determine whether it is appropriate and have the town clerk post the journal entries to the town's general ledger.

2. *Determine payroll liability balances.*

Corrective Action Procedure

We will contact the IRS to determine if the town owes any amounts and whether all payroll tax forms have been filed. We will make sure the 941's for 2006 agree to the town's general ledger for wages/salaries paid for calendar year 2006. In addition, the IRS Form W-3 for 2006 (W-2 transmittal form) should agree to the 941's and make sure that the W-2's for 2006 were properly issued.

3. *Test receipts in water and sewer funds.*

Corrective Action Procedure

The mayor will oversee or monitor the following:

- Deposits will be made daily.
- The customer payment stubs, deposit slip amount, and payments posted to the utility system will be reconciled daily. These documents will be maintained to support the deposit slip and postings to the general ledger.
- Daily journal entries will be made to record the deposit and customer payments.
- The detailed accounts receivable listing will be reconciled to the general ledger each month.
- Cutoff procedures will be enforced every month.

4. *Test disbursements in the general fund, water fund, and sewer fund for inconsistencies such as original support, correct signatures, questionable costs, reimbursed expenses, etc (a - g).*

Corrective Action Procedure

Inconsistencies (a), (b), and (g):

- We have a purchase order system.
- All payments will be supported by appropriate documentation (purchase orders, invoices, time cards, etc.).

Town of Gibsland
Comments on Agreed Upon Procedures

- Before checks are signed, the mayor and second check signer will ensure that documentation is available to support the payment (the supporting documentation will be provided to the check signer along with the unsigned checks).
- The mayor will obtain a monthly listing of bills received and follow-up with the town clerk to ensure that the bills are paid in a timely manner.
- The mayor will obtain the monthly bank statements directly from the bank and review the bank statements to determine if deposits and disbursements appear reasonable and that any unusual or inappropriate disbursements are identified.

Inconsistencies (c):

- The mayor will review the town clerk's water meter bank reconciliation each month to ensure it is reconciled properly to the general ledger balance and to the detail list of customer deposits.

Inconsistencies (d):

- Town employees shall not be paid as "contract labor."

Inconsistencies (e):

- Public funds will not be used to purchase flowers. However, Christmas decorations for the town may be purchased if reasonable and approved in the town's budget.

Inconsistencies (f):

- The town will set up future payroll deductions from employees for overpayments in accordance with labor laws.

5. *Determine accounting of \$50,000 railroad payment.*

Corrective Action Procedure

The \$50,000 will be deposited into a separate bank account to ensure a clear accounting of the funds and that the funds will not be commingled with general fund monies.